



SANDRA SHEWRY
Director

State of California—Health and Human Services Agency
Department of Health Services

EXHIBIT 1



ARNOLD SCHWARZENEGGER
Governor

October 27, 2006

Kevin Coughlan, Director
Water Division
California Public Utilities Commission
505 Van Ness Avenue
San Francisco, CA 94102

Dear Mr. Coughlan:

Pursuant to our discussion at the August 17, 2006 California Public Utilities Commission (CPUC)/California Department of Health Services (CDHS) meeting, we have reviewed your draft Rate Case Plan Water Quality submission requirements for the Results of Operations Reports in General Rate Case (GRC) documentation and offer the following recommendations to strengthen CPUC oversight of your regulated water systems. CPUC regulated water systems should provide the following information to the CPUC:

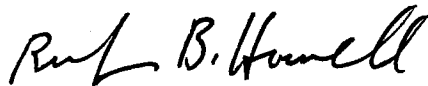
1. Summary of any non-compliance with maximum contaminant levels (MCLs) since the last GRC.
2. Summary of any new Treatment Techniques or Action Level exceedances.
3. Summary of any Notification Levels or Response Level exceedances.
4. Copy of the distributed Consumer Confidence Report (CCR) for each year not covered by last GRC.
5. Copies of CDHS citations issued to the system, if any.
6. Copy of last CDHS inspection report and letters of violation.
7. Information on all actions taken to comply with CDHS requests.
8. An explanation as to how regulations that are likely to be promulgated in the next five years may affect your operations.

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9. Copy of CDHS State Revolving Funds Needs Survey Documentation.

Although CPUC already receives much of the information listed above during your normal course of business, establishing procedures for water systems to follow in submitting these documents to the CPUC as part of their GRC submissions will increase awareness of the actions that have been taken to ensure that the water supply meets drinking water standards. CDHS routinely provides copies of citations to the CPUC along with other information as part of our normal course of business. CDHS would be agreeable to formalizing this process in its Memorandum of Agreement with CPUC.

Sincerely,

A handwritten signature in black ink, appearing to read "Rufus B. Howell". The signature is fluid and cursive, with the first name "Rufus" being more prominent and the last name "Howell" following in a similar style.

Rufus B. Howell, Acting Chief
Division of Drinking Water
and Environmental Management

cc: Cindy Forbes
Bob Hultquist
Gary Yamamoto